

PLEASE NOTE THAT ALL INPUT AREAS ARE RED. INPUT IN OTHER AREAS COULD ELIMINATE FORMULAS

Application for Project Mortgage

Insurance: Nursing Homes, Intermediate Care Facilities, and Board and Care Homes

U.S. Department of Housing and

Urban Development

Office of Housing

Federal Housing Commissioner OMB No. 2502-0029 (Exp. 7/31/94)

Public reporting burden for this collection of information is estimated to average 64 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data need, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Office of Information Policies and Systems, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600 and to the Office of Management and Budget, Paperwork Reduction Project (2502-0029), Washington, D.C. 20503. Do not send this completed form to either of these addresses.

Project Name **BRYLIN HOSPITALS** Project Number **TBA**

To: **CONTINENTAL SECURITIES, LLC** and the Secretary of Housing and Urban Development. The Undersigned hereby requests a loan in the principal amount of **\$7,012,500** to be insured under the provisions of Section 232 of the National Housing Act, said loan to be secured by a first mortgage on the property hereinafter described. Insurance of advances during construction ☐ is, ☐ is not desired. Type of Financing: ☐ Conv. ☒ GNMA ☐ Tax-Exempt Bond ☐ Other Type of Mortgage: ☒ PM ☐ NP

A. Location and Description of Property

1. Street Nos. 1263 DELAWARE & 11438 GENESEE		2. Municipality BUFFALO & ALDEN		3. County ERIE		4. State NY	
5. Type of Project <input checked="" type="checkbox"/> Elevator <input type="checkbox"/> 1 Story		6. Gross Floor Area in S.F. 69078/26905		7. No. Bldg. Floors 4 2 FLRS		8. No. of Beds B 88 CF 62 NH 0 ICF 0	
				9. Avg. Basic Monthly Charges P.B. \$23,267		10. Avg. Other Monthly Charges P.B. \$2,997	
11. <input checked="" type="checkbox"/> Existing <input type="checkbox"/> Rehab <input type="checkbox"/> Proposed		12. Year Built 1968/1951		13. Accessory Buildings MULTI BLDGS AT BOTH SITES			
Site Information				Building Information			
14. Dimensions: 1.87/35.40 acres or ft. by ft. or SQUARE FEET Sq. ft.				15. Zoning (if recently changed, submit evidence) DEL: R-4(ap) ALDEN: R/C&R/H			
Building Information							
16. Structural system BOTH MASONRY				17. Exterior Finish BRICK/DRYVT		18. Heating - A/C System HOT WATER RADIANT	

B. Information Concerning Land or Property

19. Date Acquired		20. Purchase Price		21. Cost Paid Or Accrued		22. If Leasehold Annual Ground R		23. Total Cost #VALUE!		24. Relationship-Business Personal or Other Between Seller & Buyer RELATIONSHIP	
25. Utilities- Public Water <input checked="" type="checkbox"/> Sewers <input checked="" type="checkbox"/>		Community <input type="checkbox"/>		26. Unusual Site Features - <input type="checkbox"/> Cuts <input type="checkbox"/> Fills <input type="checkbox"/> Rock Formations <input type="checkbox"/> Erosion <input type="checkbox"/> Poor Drainage <input type="checkbox"/> High Water Table <input type="checkbox"/> Retaining Walls <input checked="" type="checkbox"/> Other (Specify) <input checked="" type="checkbox"/> None							
26a. Special Assessments;		(a) <input type="checkbox"/> Prepayable (b) Principal Balance		(c) Annual Payment		(d) Remaining Term in yrs.					

C. Estimate of Income

27. Type of Room or Unit	Number of Beds			Estimated Rate Monthly			Est Monthly Income at 100% Occup	Total
	Nursing	Intermed.	Board & Care	Nursing	Intermed.	Board & Care		
See Attached	#	#	#	#	#	#	\$0	
							\$0	
							\$0	
							\$0	
							\$0	
							\$0	
Total Monthly Income							\$1,442,534	
28. Other Income (List) ANCILLARY INCOME							#	
See Attached								
Total Other Income							\$185,833	
29. Total Monthly Income-All Sources							\$1,628,367	
30. Total Estimated Annual Gross Project Income at 100% Occupancy (Line 29 x 12 Months)							\$19,540,404	

31. Non-Revenue Producing Space

Type of Employee	No. Rms.	Composition of Unit	Location of Unit in Project

EXHIBIT
SJ 7

D. Payroll (Salaries)				BRYLIN HOSPITALS			
Position	No.	Monthly Rate	Total Annual	Position	No.	Monthly Rate	Total Annual
32. Administrative- <i>General</i>	33.4	\$3,743	1,500,000	35. Housekeeping	0	\$0	0
Nursing	12.6	\$2,976	450,000				0
			0				0
Total Administrative			1,950,000	Total Housekeeping			0
33. Bldg. & Grounds <i>OP/Maint</i>	8.6	\$3,391	350,000	36. Nursing Service <i>Daily Patient</i>	88.6	\$2,996	3,185,000
Maint/Sec	2	\$1,667	40,000	Outpatient	19.3	\$2,807	650,000
Misc	6.5	\$2,179	170,000	Other	7	\$2,500	210,000
			0				0
Total Buildings and Grounds			560,000	Total Nursing Services			4,045,000
34. Dietary - <i>Delaware</i>	10.5	\$2,143	270,000	37. Other Salaries <i>Pharmacy</i>	1.5	\$6,667	120,000
Alden	4.1	\$1,524	75,000	Med. Records	6	\$2,500	180,000
			0				0
Total Dietary			345,000	Total other Salaries			300,000
38. Estimated annual Salaries							7,200,000
F. Estimated Annual Operating Expenses							
Administrative				Other Expenses			
1. Telephone & Telegraph		\$135,000		33. Director Fee		\$325,000	
2. Advertising		\$50,000		34. Purch. Services		\$545,000	
3. Insurance and Liability		\$120,000		35. Rent - Clinics		\$225,000	
4. License or Permit		\$25,000		36. Total Other Expenses		1,095,000	
5. Legal and Audit		\$100,000		37. Total Salaries (line D-38)		7,200,000	
6. Miscellaneous		\$257,000		38. Repl. Reserve (Realty)(.006 x Line G-8)		37,500	
7. Office Expense		\$82,000		39. Expenses (Less Taxes)		11,311,500	
8. Total Administrative			769,000	Taxes			
Building and Grounds				40. Real Estate Est. Assessed Val.			
9. Decorating-Interior and Exterior				\$ _____ @ \$ _____ Per \$1000		\$135,000	
10. Heating				41. Personal Prop. Est. Assessed Val.			
11. Electricity		\$280,000		\$ _____ @ \$ _____ Per \$1000			
12. Water				42. Employee Payroll Tax		\$500,000	
13. Gas				43. Employee Social Security			
14. Garbage Removal				44. Other		\$671,500	
15. Insurance				45. Total Taxes		1,306,500	
16. Supplies				46. Repl. Res (Non-R) .10 x 100% replacement cost		37,500	
17. Maintenance and Repairs (Bldg. and Realty Items)		\$60,000		47. Total Est. Ann. Operat. Expenses (lines 39 + 45 + 46)		12,655,500	
18. Ground Expenses				F. Estimate of Net Returns			
19. Miscellaneous				1. Annual Gross Earnings Expectancy (From C-30)		17,310,417	
20. Exterminating				2. Predicted Occupancy Ratio		66.68%	
21. Total Building and Grounds			340,000	3. Effective Annual Gross Income (Line F-1 x F-2)		11,542,586	
Dietary				Add: Other Income Net		2,230,000	
22. Supplies		\$110,000		4. Est. Total Annual Operating Expense (From E-47)		12,655,500	
23. Food Cost		\$330,000		5. Net Return Available for Proprietary Earnings, Realty and Non-Realty (Line F-3 minus Line F-4)		1,117,086	
24. Total Dietary			440,000	6. Estimated net Earnings Attributable to Realty and Non-Realty		85%	949,523
Housekeeping				7. Estimated Residual Proprietary Earnings (Line F-5 minus Line F-6)		%	167,563
25. Supplies		\$10,000		G. Estimated Replacement Cost			
26. Laundry				1. Unusual Land Improvements		#	
27. Other				2. Other Land Improvements		450,000	
28. Total Housekeeping			10,000	3. Total Land Improvements		450,000	
Nursing Service				4. Structures-Gross Flr Area Sq. Ft.			
29. Supplies		\$50,000		5. Main Building-Del		7,279,823	
30. Drugs		\$230,000		6. Main Bldg - Alden		3,445,185	
31. Professional Fees		\$1,140,000		7. Basement		823,979	
32. Total Nursing Service			1,420,000	8. Total Structures		11,548,987	
				9. General Requirements	Included	0	

G. Estimated Replacement Cost (continued) Fees: 10. Builder's General Overhead @ % % 11. Builder's Profit @ % % 12. Architect Fee-Design @ % % 13. Architect Fee-Suprvr.. @ % % 14. Bond Premium 15. Other Fees 350,000 16. Total Fees 350,000 17. Total for All Improvements (3+8+9+16) 12,348,987 18. Cost Per Gross Sq. Ft. 128.66 19. Estimated Construction Time 12 Months				Legal and Organization: BRYLIN HOSPITALS 31. Legal \$50,000 32. Organization \$20,000 33. Cost Certification Audit Fee \$20,000 34. Total legal and Organization 90,000 35. Consultant Fee (N.P. only) 0 36. Major Movable Equip. (Non-Realty) 1,545,789 37. Total Est. Development Cost (Excl. of Land or Off-site Cost) (17+30+34+35+36) 14,799,128 37a. Depreciation (line 37 times 44.00%) 6,511,616 38. Land 343,500 39. Total Estimated Replacement Cost of Project (Add Lines 37 and 38 and subtract Line 37a) 8,631,000			
Carrying Charges and Financing: 20. Interest % Mos. @ 14 on \$12,799,000 0 21. Taxes 0 22. Insurance 0 23. FHA Mtg. Ins. Pre. 0.50% 63,995 24. FHA Exam/ Fee 0.30% 38,397 25. FHA Inspec. Fee 0.50% 63,995 26. Financing Fee 2.00% 255,980 27. AMPO (N.P. only) 0.00% 0 28. GNMA Fee 1.50% 191,985 29. Title and Recording 200,000 30. Total Carrying Charges and Financing 814,352				H. Total Requirements for Settlement 1. Existing Debt & Loan Closing Costs 7,011,497 2. Required Repairs 77,325 3. Subtotal (Line 1 + Line 2) 7,088,822 4. Mortgage Amount \$7,012,500 5. Fees Paid by Other than Cash \$0 6. Line 4 plus Line 5 7,012,500 7. Line 3 minus Line 6 76,322 8. Initial Operating Deficit 0 9. Anticipated Discount 0 10. Working Capital 0 11. Off-Site Construction Costs 0 12. Non-Mortgagable Equipment and Furnishings 0 13. Total Estimated Cash Requirement (Total of Lines 7, 8, 9, 10, 11, and 12) 76,322			
Source of Cash to Meet Requirements SPONSOR AND PREPAID COSTS X From Sponsor's general funds SOURCE Total (Submit Attachment if Additional Space is Needed)			Amount \$ 76,322 \$ - \$ - \$ 76,322				
I. Names, Addresses and Telephones Numbers of the Following							
Sponsor Name NAME Linreal Corporation			Telephone Number PHONE NUMBER (716) 886-8200				
Address and Zip Code ADDRESS 1263 Delaware Ave., Buffalo, NY 14209							
Sponsor Name NAME			Telephone Number PHONE NUMBER				
Address and Zip Code ADDRESS							
Sponsor Name NAME			Telephone Number PHONE NUMBER				
Address and Zip Code ADDRESS							
Contractor Name NAME			Telephone Number PHONE NUMBER				
Address and Zip Code ADDRESS							
Sponsor's Attorney Name NAME			Telephone Number PHONE NUMBER				
Address and Zip Code ADDRESS							
Architect Name NAME			Telephone Number PHONE NUMBER				
Address and Zip Code ADDRESS							

HUD 0033

I, undersigned as the principal sponsor of the proposed project, mortgagor, certifies that he/she is familiar with the provisions of the National Housing Act and that, to the best of his/her knowledge and belief, the mortgagor has complied, or will be able to comply, with all of the requirements thereof which are prerequisite to insurance of the mortgage under such Section.

I, undersigned further certifies that to the best of his/her knowledge and belief no information or data contained herein or in the exhibits or attachments listed herein, in any way false or incorrect and that they are truly descriptive of the project or property which is intended as the security for the proposed mortgage and that proposed construction will not violate zoning ordinances or restrictions of record.

I, undersigned agrees with the Department of Housing and Urban Development that pursuant to the requirements of the HUD Regulations, (a) neither he/she nor anyone authorized to act for him/her will decline to sell, rent, or otherwise make available any of the property or housing in the multifamily project to a prospective purchaser or tenant because of his/her race, color, religion, sex, or national origin; (b) he/she will comply with Federal, State, and local laws and ordinances prohibiting discrimination; and (c) his/her failure or refusal to comply with the requirements of either (a) or (b) shall be a proper basis for the Commissioner to reject requests for future business with which the sponsor is identified or to take any other corrective action he/she may deem necessary.

Signature (Sponsor, Authorized to sign)

Date

Eric D. Pleskow, President

1/31/01

Request for Commitment: ☐ Conditional ☒ Firm

To: Secretary of Housing and Urban Development

Pursuant to the provisions of the Section of the National Housing Act identified in the foregoing application and HUD Regulations applicable thereto, request is hereby made for the issuance of a commitment to insure a mortgage covering the property described above. After examination of the application and the proposed security, I, undersigned considers the project to be desirable and is interested in making a loan in the principal amount of \$ 7,012,500 which will bear interest at 7.50 %, will require repayment of principal over a period of 420 months according to amortization plan to be agreed upon.

Insurance of advances during construction ☐ is, ☒ is not desired.

It is understood that the financing expense, in the amount of \$ 140,250 is subject to adjustment so that the total will not exceed 2 % of the amount of your commitment.

Enclosed with is check for \$ 21,038, which is in payment of the application fee required by HUD Regulations.

Signature (Proposed Mortgagee)

Address of Mortgagee

Robert H. G. Jr.

16800-0000-5
CONTINENTAL SECURITIES, LLC
ONE MONY PLAZA, STE. 800

Actions

Section B

SYRACUSE NEW YORK 13202

Line 21—Insert any cost paid or contracted, in addition to the stipulated purchase price. If the site will require demolition expense, or other preparatory expense, this should be indicated and explained on an attached sheet. If the proposed site is leased, indicate the annual dollar amount of the ground rental. All other items in this section are self-explanatory.

Section C

Line 27—Insert the estimated rates to be charged on a monthly basis per bed for the accommodation and service rendered.

Line 28—Income for special services and facilities provided occupants at additional charge above base rates when the cost of such service is included in the operating expense estimate. Commercial income, if any, should be recorded here.

Section D

Items 32 through 37—Furnish the total number of employees and the monthly rates for each of the six categories.

Line 38—Show the total dollar annual payroll.

Section E—The estimate of project expenses shall be based on actual operating experience with comparable projects.

Line 45—Total annual tax to cover all items in Tax Section should be shown on this line.

Line 47—Sum of the total annual operating expense (Line 39 + Line 45 + Line 46).

Section F

Line 2—Occupancy percentage is estimated from market experience if available; otherwise the sponsor's best estimate.

Line 6—Represents the cash return to owner of the real estate as determined from available realty and nonrealty data.

BRYLIN HOSPITALS MORTGAGE CREDIT ANALYSIS

Identification of Principals

The real estate owner for Brylin is Linreal Corporation. It is a single asset corporation owning both parcels that will comprise the mortgaged premises (Delaware Avenue in Buffalo and Genesee Street in Alden). The operator is Brylin Hospitals, Inc. There is an operating lease between Linreal and Brylin.

The sole shareholder of both entities is Eric Pleskow.

Credit Investigation

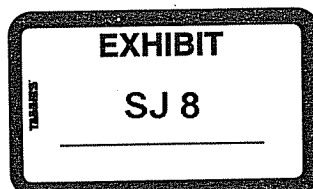
The following documents were obtained in determining the credit worthiness of the borrower:

1. Credit reports for Brylin, Linreal and Eric Pleskow
2. Form 92013 Supplement for Brylin, Linreal and Eric Pleskow.
3. Form 92004-F, Verifications of Deposit for Brylin, Linreal and Eric Pleskow.

We reviewed the credit reports for Eric Pleskow, Linreal and Brylin. The credit report of Eric Pleskow is unremarkable. It shows payments to all listed creditors as current, on time, with no negative items listed. It appears that Mr. Pleskow is a timely payor of his personal obligations. The credit report for Linreal is very limited, showing only UCC information. This would be expected, as it is merely a real estate holding entity.

The credit report for Brylin Hospitals was also reviewed. The contents of this credit report are consistent with the current impaired operations of the facility as described in the appraisal. The credit report indicates payments slower than 70% of related firms and that payments are increasingly late. This situation is as described in our interviews with the sponsors. They have indicated that this proposed refinancing will alleviate virtually all of their cash flow problems and will enable them to become current payors of their obligations once again.

There are two unsatisfied judgements appearing on the credit report. The borrower has attached an explanation for each. We will require that these judgements be removed from record as a condition of the Firm Commitment.



HUD 0035

HUD 00000

None of the principals indicate delinquent federal debt on Form 92013-Supplement.

It was not considered necessary to directly contact trade references on the 92013 Supplements, other than reviewing 92004-Fs from bank references. Based on a review of credit reports, interviews with the sponsor and a review of the financial statements (discussed below), it is obvious that considering the current debt structure of the facility, the facility is having trouble meeting its obligation on a timely basis. Directly contacting creditors would yield little additional information.

Financial Statements

The audited financial statements of Brylin were reviewed. Audits for the years 1995, 1996 and 1997 are unremarkable, showing consistent profitable operations and a good financial position. The 1998 financial statement, however, contains a going concern qualification. The notes to the financial statements (Note 6 and 7) discuss the arrangement with the prospective purchaser that was brought in and assumed operations during the time of determination of the sale of the business (this entire arrangement is described in more detail in the Appraisal). In 1999, audited financial statements also discussed this situation in Notes 6 and 10. By reading these notes it is obvious that operations were severely impacted by the arrangement with BHMA, to the point where the future of Brylin was in question. Attached to the 1999 statements is a summary by Brylin showing the fees associated with the BHMA acquisition attempt. These amount to nearly \$700,000.

The sponsor has provided a June 2000 income statement and balance sheet, along with a comparison of the operating results for 1998, 1999 and 2000 year to date through June. This sponsor has not been able to produce 2000 income statements more current than June 2000.

Our review of the comparisons of 1998, 1999 and 2000 year to date does show a significant improvement. If this trend can continue and as the operations can stabilize as described in the Appraisal, this along with the restructuring of the balance sheet debt that will be accomplished with this refinancing should put the facility on a stable footing.

Mortgage Credit Analysis

Page 3

Determination of Mortgage Amount, Commencement of Amortization and Cash Requirement, Operating Deficit

Under Tab #5 is Form 92264A with attachment. The attachment is the format to compute fees in a refinancing transaction. Additionally, at the bottom of this attachment is a detail of the Organization costs and existing indebtedness. The Organization costs amounts were determined by an interview with the sponsor. The existing debt items are contained in the borrower's certification with Tab #44.

The mortgage amount is controlled by criterion 1 and 3. The amount is \$7,012,500. The cash requirement based on Section II, Part B of Form 92264A is \$1,157. The sponsor has prepaid the exam fee (\$21,038) and \$3,102 of items included in Organization Expense. Therefore they meet the cash requirement.

Amortization should commence on the first day of the second month following the date of endorsement of the mortgage.

The term of the mortgage used in criterion number 5 on Form 92264A was thirty-five years. This is within 75% of the remaining lease for life included in the Appraisal.

No secondary financing is proposed, so a calculation of a lot of the secondary financing was not needed.

There are no grants/loans involved, so the provisions of paragraph 8, 10, 11 of the MAP Guide do not apply.

No operating deficit (OD) is required. The calculation of the OD was modified slightly from the form attachment to 92264-A. Because of the numerous admissions and relatively short length of stay, a "rent roll" at a particular date is not meaningful. We compared 92264 expenses and debt service to 2000 net revenues to determine the need for an OD.

Lender's Review and Recommendation (MAP Guide Chapter 8 Paragraph 8.16)

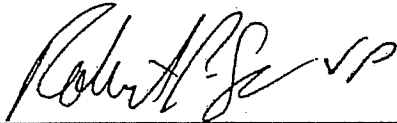
1. The name of the Mortgagor Entity is Linreal Corporation.
2. The Mortgagor Entity is 100% owned by Eric Pleskow, who also is the 100% owner of the operating company, Brylin Hospitals, Inc.
3. Not Applicable.

HUD 0037

Mortgage Credit Analysis
Page 4

4. The mortgage amount is \$7,012,500. This was determined by criterion 1 and 3 of Form 92264A.
5. The cash requirement for closing is \$1,157.
6. The source and funds to meet the cash requirement include the prepaid exam fee, and prepaid organizational expense items.
7. Mr. Pleskow has significant experience with the industry and the project. It is a business that has been in existence for over fifty years. The Pleskow family has been involved with the facility since its founding.
8. A credit and financial review of the borrower and principals is above. While there are negative aspects involved, the refinancing of this project using an insured mortgage will enable the facility to once again be on a solid financial footing and enjoy continued profitable operations.
9. Not Applicable.
10. We recommend acceptance subject to the conditions below.
11. The mortgage credit conditions are as follows:
 - a. As part of the mortgagor certification of actual costs, appropriate documentation of the existing debt labeled "Consent Judgements and Lienable A/P" must be provided. Items that may be disallowed during this review that do not meet the requirements of the MAP Guide Chapter 8, paragraph 8.9E may result in a mortgage reduction.
 - b. Condition 8 – all recorded judgements are either Linreal Corporation or Brylin Hospitals, Inc. to be removed from record prior to endorsement.
12. The completed Form HUD 92264A is included in Tab #5.

Continental Securities, LLC

 VP

Date: 2-15-01

RPC/cc

HUD 0038

BTM 00011

SUPPLEMENT TO PROJECT ANALYSIS

U.S. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT
OFFICE OF HOUSING

SECTION/TITLE: 232/223(f)

PROCESSING STAGE: Firm

PUBLIC REPORTING BURDEN FOR THIS PROJECT ANALYSIS IS ESTIMATED TO AVERAGE 16 HOURS PER RESPONSE, INCLUDING THE TIME FOR REVIEWING INSTRUCTIONS, SEARCHING EXISTING DATA SOURCES, GATHERING AND MAINTAINING THE DATA NEEDED, AND COMPLETING AND REVIEWING THE COLLECTION OF INFORMATION. SEND COMMENTS REGARDING THIS BURDEN ESTIMATE OR ANY OTHER ASPECT OF THIS COLLECTION OF INFORMATION, INCLUDING SUGGESTIONS FOR REDUCING THIS BURDEN, TO THE REPORTS MANAGEMENT OFFICER, OFFICE OF INFORMATION POLICIES AND SYSTEMS, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, WASHINGTON, D.C. 20410-3600 AND TO THE OFFICE OF MANAGEMENT AND TO THE OFFICE OF MANAGEMENT AND BUDGET, PAPERWORK REDUCTION PROJECT (2502-0331), WASHINGTON, D.C. 20503.

DO NOT SEND THIS COMPLETED FORM TO EITHER OF THESE ADDRESSES.

NAME OF MORTGAGOR: LINREAL CORPORATION

PROJECT NUMBER:

PROJECT NAME: BRYLIN HOSPITALS

LOCATION: 1263 DELAWARE AVE, BUFFALO, NY & 11438 GENESEE STREET, ALDEN

TYPE OF BORROWER:

☒ Private ☒ Profit ☐ Public ☐ Non-Profit ☐ Instrumentality, etc.
☐ Management Group ☐ Sales Coop. ☐ Investor-Sponsor ☐ Builder/Seller ☐ Limited Distribution

TYPE OF PROJECT:

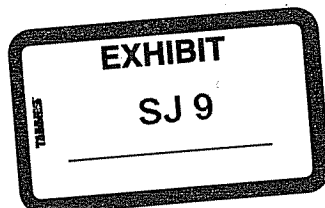
☐ RENTAL HOUSING ☒ SPECIALIZED USE FACILITY ☐ -NEW CONSTRUCTION ☐ NON-ELEVATOR
☐ -COOPERATIVE ☐ -INTERMEDIATE CARE FACILITY ☐ -REHABILITATION ☐ ELEVATOR
☐ -CONDOMINIUM ☐ -HOUSING FOR THE ELDERLY ☐ -REDEVELOPMENT ☒ EXISTING
☐ -SINGLE RM OCCUPANCY ☐ -MOBILE HOME COURT ☐ -SUPPLEMENT LOAN REFINANCE
☐ -BOARD AND CARE ☐ -CAPITAL ADVANCE 202/811 ☐ -GROUP HOME

DETERMINATION OF MAXIMUM INSURABLE MORTGAGE

CRITERIA	(COL. 1)	(COL. 2)	\$ (COL. 3)
MORTGAGE OR LOAN AMOUNT REQUESTED IN APPLICATION			\$ 7,012,500
RESERVED			
AMOUNT BASED ON VALUE OR REPLACEMENT:			
VALUE (REPLACEMENT COST) FEE SIMPLE	\$ 8,250,000	x 85%	\$ 7,012,500
VALUE OF LEASED FEE	\$ -		
(2) GRANT/LOAN FUNDS ATTRIBUTABLE TO R.C.	\$ -		
(3) EXCESS UNUSUAL LAND IMPROVEMENT	\$ -		
(4) COST CONTAINMENT MORTGAGE DEDUCTION	\$ -		
(5) TOTAL LINES B1 TO B4	\$ -	x	\$ -
C UNPAID BALANCE OF SPECIAL ASSESSMENT			\$ -
D TOTAL LINE 3B PLUS LINE 3C			\$ -
E LINE A MINUS LINE D			\$ 7,012,500
AMOUNT BASED ON LIMITATION PER FAMILY UNIT:			
A NUMBER OF NO BEDROOM UNITS	x \$ -		\$ -
NUMBER OF ONE BEDROOM UNITS	x \$ -		\$ -
NUMBER OF TWO BEDROOM UNITS	x \$ -		\$ -
NUMBER OF THREE BEDROOM UNITS	x \$ -		\$ -
NUMBER OF FOUR OR MORE BEDROOM UNITS	x \$ -		\$ -
B COST NOT ATTRIBUTABLE TO DWELLING UNITS	\$ -	x 100%	\$ -
C SITE NOT ATTRIBUTABLE TO DWELLING USE	\$ -	x	\$ -
D TOTAL LINES A THROUGH LINE C			\$ -
E TOTAL NUMBER OF SPACES	0 x \$ -		\$ -
F SUM: VALUE OF LEASED FEE AND UNPAID BALANCE OF SPECIAL ASSESSMENT(S)			\$ -
G LINE D OR LINE E, WHICHEVER IS APPLICABLE, MINUS LINE F			\$ -
AMOUNT BASED ON DEBT SERVICE RATIO:			
A MORTGAGE INTEREST RATE		7.500%	
B MORTGAGE INSURANCE PREMIUM RATE		0.50%	
C INITIAL CURTAIL RATE - ENTER LOAN Y	35	0.590911%	
D SUM OF ABOVE RATES			8.590911%
E NET INCOME	\$ -	x 85%	\$ 807,095
F ANNUAL GROUND RENT + ANNUAL SPEC. ASS'MT.			\$ -
G LINE 5E MINUS LINE 5F			\$ 807,095
H LINE 5G DIVIDED BY LINE 5D			\$ 9,394,700
I. TAX ABATEMENT (IF ANY)			\$ -
J. LINE H PLUS LINE I			\$ 9,394,700

PAGE 1 OF 3

FORM HUD-92264-A (2/94)



HUD 0039

NAME OF MORTGAGOR: LINREAL CORPORATION

PROJECT NUMBER:

PROJECT NAME: BRYLIN HOSPITALS

LOCATION: 1263 DELAWARE A

0

0

DETERMINATION OF MAXIMUM INSURABLE MORTGAGE (CONTINUED)

CRITERIA	(COL. 1)	(COL. 2)	(COL. 3)
AMOUNT BASED ON ESTIMATED COST OF REHABILITATION PLUS:			
(I) 'AS IS' VALUE, OR (II) ACQUISITION COST OR			
(III) EXISTING MORTGAGE INDEBTEDNESS AGAINST THE			
PROPERTY BEFORE REHABILITATION:			
A TOTAL ESTIMATED DEVELOPMENT COST	\$ -		
B ESTIMATED COST OF OFF-SITE CONSTRUCTION	\$ -		
C SUM OF LINE 6A AND LINE 6B		\$ -	
D GRANT/LOAN FUNDS ATTRIBUTABLE TO R.C. ITEMS	\$ -		
E LINE 6C MINUS LINE 6D		\$ -	
F AS IS' VALUE OF PROP. BEFORE REHAB.	\$ 0	x 100.0000%	\$ -
G EXISTING MORTGAGE INDEBTEDNESS (PROP. OWNER)			\$ -
OR PURCHASE PRICE OF PROPERTY (TO BE ACQUIRED)			\$ -
H LINE 6E PLUS LINE 6F			\$ -
I. LINE 6H \$ X 100.00%			\$ -
AMOUNT BASED ON BORROWER'S TOTAL COST OF ACQUISITION SECTION 223(f)			
A PURCHASE PRICE OF PROJECT	\$ -		
B REPAIRS AND IMPROVEMENTS, IF ANY	\$ -		
C OTHER FEES	\$ -		
D LOAN CLOSING CHARGES	\$ -		
E SUM OF LINES 7A THROUGH LINE 7D		\$ -	
F ENTER THE SUM OF ANY GRANT/LOAN AND RESERVE FOR REPLACEMENT AND			\$ -
MAJOR MOVABLE EQUIPMENT TO BE PURCHASED AS A ASSET OF THE PROJECT			\$ -
G LINE 7E MINUS LINE			\$ -
H LINE 7G \$ X 85.00%			\$ -
AMOUNT BASED ON SUM OF UNIT MORTGAGE AMOUNTS			
AMOUNT BASED ON ESTIMATED COST TO BORROWER:			
A TOTAL ESTIMATED COST (EXCL. OF SITE & REQUIRED CONST. OFF THE SITE)	\$ -		
B PURCHASE PRICE OF SITE	\$ -		
C TOTAL COST OF CLEARING SITE, IF ANY	\$ -		
D EXPENSE OF RELOCATING OCCUPANTS, IF ANY	\$ -		
E COST OF OFF-SITE CONSTRUCTION, IF ANY	\$ -		
F SUM OF LINES 9A THROUGH 9E		\$ -	\$ -
G LINE 9F \$ X 100.0000%			\$ -
AMOUNT BASED ON EXISTING INDEBTEDNESS, REPAIRS & LOAN CLOSING CHARGES SECTION 223(f)			
A TOTAL EXISTING INDEBTEDNESS	\$ 5,746,546		
B REQUIRED REPAIRS	\$ 46,232		
C OTHER FEES	\$ 773		
D LOAN CLOSING CHARGES	\$ 1,220,164		
E SUM OF LINES 10A THROUGH LINE 10D		\$ 7,013,715	
F ENTER THE SUM OF ANY GRANT/LOAN & RESERVE FOR		\$ -	
REPLACEMENT AND MAJOR MOVABLE EQUIPMENT ON DEPOSIT		\$ -	
G LINE 10E MINUS LINE 10F		\$ 7,013,715	
H 70% OF VALUE \$ 0 X 70%		\$ -	\$ -
I. GREATER OF LINE 10G OR LINE 10H			7,013,700
ATTACH FORMAT FOR COMPUTING LOAN CLOSING CHARGES.			
MAXIMUM INSURABLE MORTGAGE (LOWEST OF THE FORGOING CRITERIA)			7,012,500

HUD 0040

NAME OF MORTGAGOR: LINREAL CORPORATION
 PROJECT NAME: BRYLIN HOSPITALS
 LOCATION: 1263 DELAWARE A
 FINANCIAL REQUIREMENTS FOR SETTLEMENT

PROJECT NUMBER:

FEES NOT TO BE PAID IN CASH:	
A BSPRA/SPRA	\$ -
BUILDERS PROFIT	\$ -
OTHER:	\$ -
TOTAL (ENTER IN PART B ON LINE 5)	\$ -
COMMITMENT, MKTG., GNMA	\$ -
A FEES:	\$ -
OTHER: PERMANENT LOAN	\$ -
B DISCOUNTS: CONSTRUCTION LOAN	\$ -
DEBT SVC. RESERVE (BOARD & CARE)	\$ -
C ESCROWS:	\$ -
OTHER:	\$ -
TOTAL (ENTER IN PART B ON LINE 9)	\$ -
WORKING CAPITAL:	\$ -
A WORKING CAPITAL	\$ -
B MINIMUM CAPITAL INVESTMENT (SEC. 202/811)	\$ -
C NON-REALTY ITEMS NOT INCLUDED IN MORTGAGE	\$ -
TOTAL (ENTER IN PART B ON LINE 10)	\$ -

PART B

1. a. Existing Debt & Loan Closing Cos	6,967,425
b. Adjustment for Contracted Amounts in Excess of form HUD 92264 Estimates	
(1) CONSTRUCTION CONTRACT	\$ -
(2) ARCHITECT'S CONTRACT	\$ -
(3) OTHER	\$ -
c. TOTAL OF LINES a. & b	6,967,425
2. REQUIRED REPAIRS	\$ 46,232
3. SUBTOTAL (LINES 1c + 2)	7,013,657
4. A. MORTGAGE AMOUNT	\$ 7,012,500
B. GRANT/LOAN	\$ -
5. FEES NOT TO BE PAID IN CASH	\$ -
6. SUBTOTAL (LINES 4A + 4B + 5)	\$ 7,012,500
7. CASH INVESTMENT REQUIRED (LINE 3 MIN)	\$ 1,157
8. INITIAL OPERATING DEFICIT *	0
9. COMMITMENT, MARKETING FEES DISCOUNT AND ESCROWS	\$ -
10. WORKING CAPITAL	\$ -
11. OFF-SITE CONSTRUCTION & DEMOLITION C (\$ + \$)	0
12. TOTAL ESTIMATED CASH REQUIREMENT (SUM OF LINES 7 + 8 + 9 + 10 + 11)	\$ 1,157
FRONT MONEY ESCROW, IF ANY (SUBTRACT LINE 6 FROM LINE 1)	\$ -

NOTE: FOR SECTION 223(f) CASES, ATTACH THE FORMAT FOR COMPUTING THE OPERATING DEFICIT.

SOURCE OF FUNDS TO MEET CASH REQUIREMENT / MORTGAGE CREDIT NOTES

SOURCE:	AMOUNT
SPONSOR PLUS PREPAID TRANSACTION COSTS	\$ 1,157
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
TOTAL AVAILABLE CASH FOR PROJECT	\$ 1,157

MORTGAGE CREDIT PROCESSING NOTES:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

RECOMMENDATION, REQUIREMENTS AND REMARKS

LOAN CLOSING CHARGES BASED ON MORTGAGE AMOUNT:

FINANCING FEE	140,250
MIP	70,125
EXAM FEE	21,038
PLACEMENT FEE	105,188
LEGAL & ORG	58,350
IDRR	775,000
TITLE & RECORDING	50,156
TOTAL	1,220,106

Mortgage Recommendation

X RECOMMEND APPROVAL; SUBJECT TO CONDITIONS STATED IN ADDENDUM, IF ANY.

RECOMMEND REJECTION FOR REASONS STATED IN ADDENDUM.

HUD 0041

SIGNATURE OF THE MORTGAGE CREDIT EXAMINER:

DATE:

2-15-01

TO COMPUTE FEES - A REFINANCING TRANSACTION

Step 1. Add the known dollar amounts for:

A.	Existing Indebtedness	5,746,546
B.	Repairs	46,232
C.	Initial Deposit to Reserve for Replacement	775,000
D.	Legal	30,000
E.	Organizational	28,350
F.	Title and Recording	50,156
G.	Other Fees (Arch, Inspection, Engineering) (HUD)	773
H.	GNMA Fee (MBS)	0
	Total	<u>6,677,057</u>

Step 2. Deduct the amounts of any Replacement Reserve Escrow currently on deposit with the mortgagee

	0
Result	<u>6,677,057</u>

Step 3. Add the known percentages for:

A.	Financing Fee (Initial Service Charge)	2.0%
B.	MIP	1.0%
C.	Exam Fee	0.3%
D.	FNMA Fee	1.5%
E.	Discounts, if Allowable	0.0%
	Total	<u>4.8%</u>

Step 4. Subtract the sum from Step 3 from 100% 95.2%Step 5. Divide the sum from Step 2 by the result from Step 4. The quotient rounded down to the nearest hundred becomes the mortgage amount. 7,013,700

Step 6. Compute and total the actual fees based on the mortgage amount determined in Step 5.

A.	Financing Fee	140,274
B.	MIP	70,137
C.	Exam Fee	21,041
D.	FNMA FEE	105,206
E.	Discounts	0
	Total	<u>336,658</u>

Step 7. Add to the sum from Step 6, the following:

A.	Legal & Organizational	30,000+28,350	58,350
B.	Initial Deposit to Reserve for Replacement		775,000
C.	Title and Recording		50,156
D.	GNMA Fee		0
	Total		<u>1,220,164</u>

Organization:

Frandina	6,750
GAR	15,000
Phase I	1,500
LBP	600
Survey	<u>4,500</u>
	28,350

Debt:

Key	3,750,000
Heller	1,350,000
Taxes	460,936
Charter	61,779
Misc	<u>123,831</u>
	5,746,546

HUD 0042



BRYLIN
HOSPITALS

January 31, 2001

Robert Corp
Continental Securities, LLC
One Mory Plaza, Suite 800
Syracuse, NY 13202

Re: BryLin/Linreal Existing Debt and Leases

Dear Bob:

Per your request, below please find a list of BryLin's and Linreal's existing debt and leases:

Key Bank Debt includes: Key Bank First Mortgage -	\$3,778,429
Key Computer Lease -	\$ 472,961
Key Computer Lease -	\$ 30,955
Key HVAC Lease -	\$ 187,317
TOTAL KEY BANK INDEBTEDNESS -	\$4,469,662

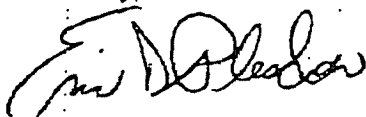
BryLin has successfully negotiated a payoff amount for all of it's and Linreal's indebtedness to KeyBank in the amount of \$3,750,000.00.

Additional indebtedness includes:

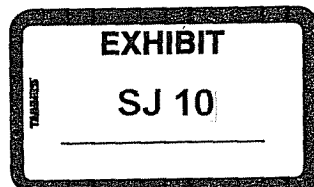
Delinquent Real Estate Taxes -	\$ 460,936.00
Consent Judgments and Lienable A/P -	\$ 123,830.86
Charter Phone Lease -	\$ 61,779.03
Heller Financial -	\$1,350,000.00

Should you require any additional information, please so advise.

Sincerely,



Eric D. Pleskow
President and CEO



CORPORATE OFFICES

HUD 0043

1263 DELAWARE AVENUE • BUFFALO, NY 14209 • 716/886-8200 • FAX 716/886-1986